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Global Markets Division

Danish Economy

Equity Portfolio

Recommendation: BUY

Investment Horizon: Year End (Dec. 8th)

Vienna, June 23rd 2023

Team Overview

Global Markets Division



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- Trade strategy



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- Portfolio Optimization



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- Derivative Strategy



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- B. Sc. Business and Economics

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ASSET MANAGEMENT



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- B. Sc. Business, Economics and Social Sciences



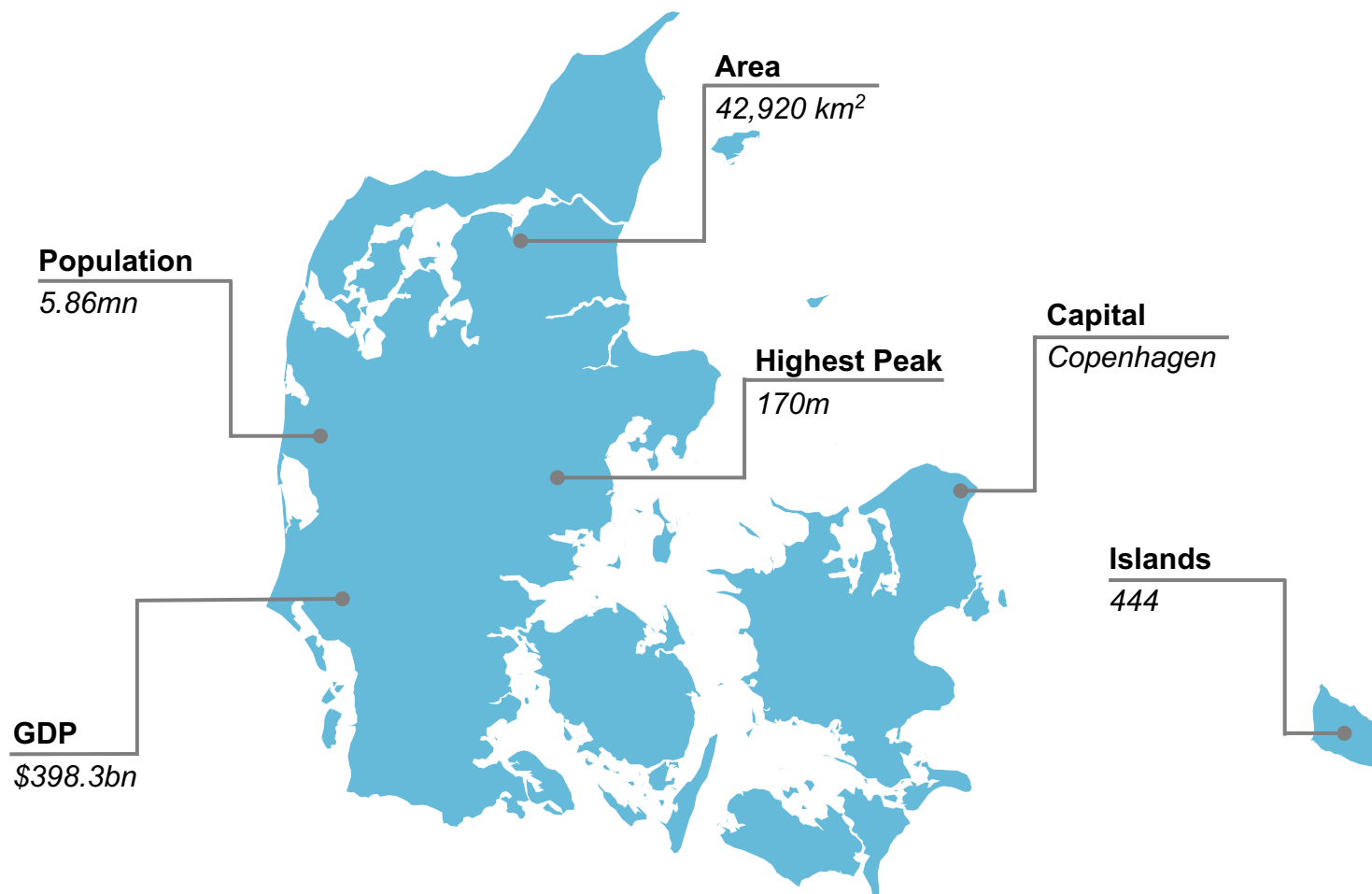
- B. Sc. Business, Economics and Social Sciences

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Denmark – An Overview

Denmark is a country with a rich and successful history.

Geographics and information



Outstanding facts



Coastline

No point on Danish land is more than 50 kilometres from the sea



Border

Shares a border with Germany, Sweden and Canada (only since 2022)



Central Bank

The *Nationalbanken's* main target is not to offer price stability but stable exchange rates

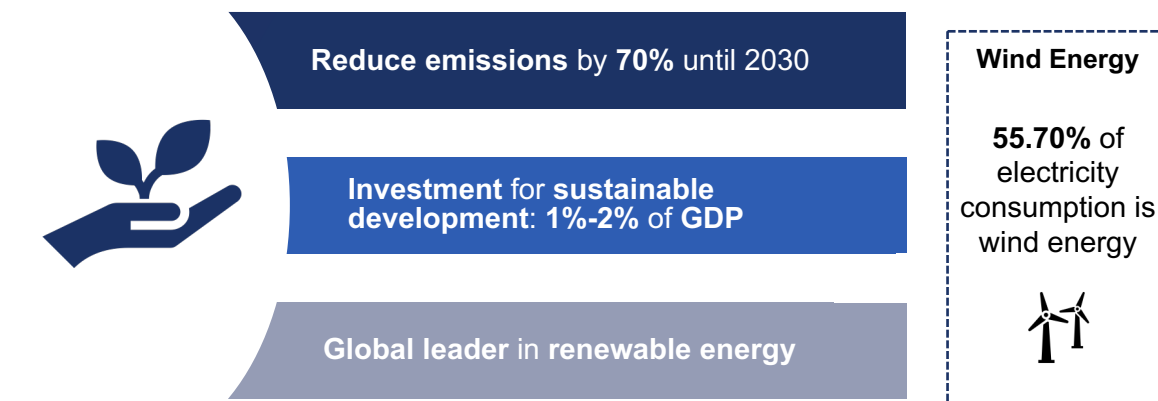
Composition of the Economy

Denmark hosts a variety of businesses, with a focus on sustainability.

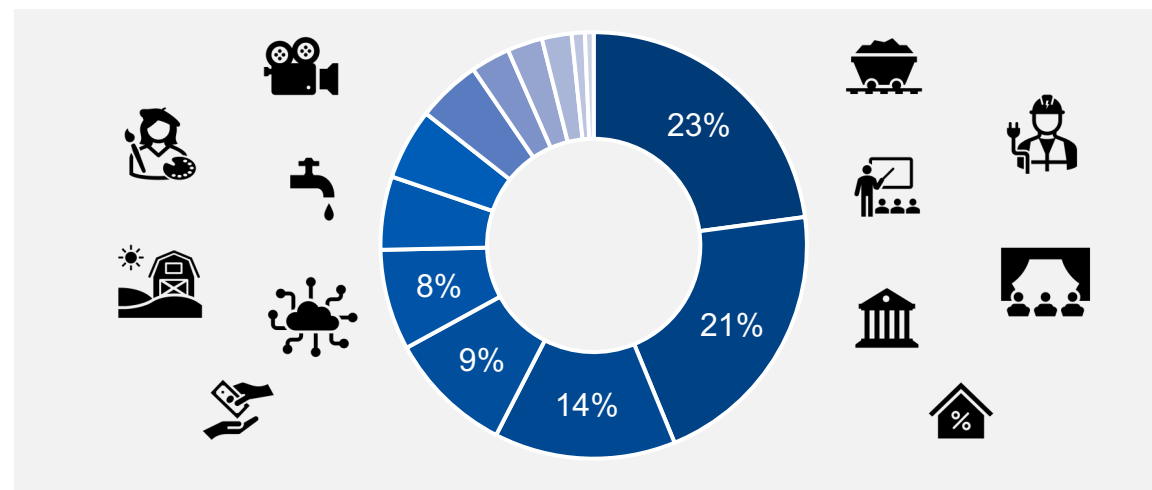
Key stats



Sustainable goals



Share of gross domestic product by sector



- 1 Trade and transport
- 2 Public administration, education and health
- 3 Manufacturing
- 4 Other business services
- 5 Dwellings

Why Denmark

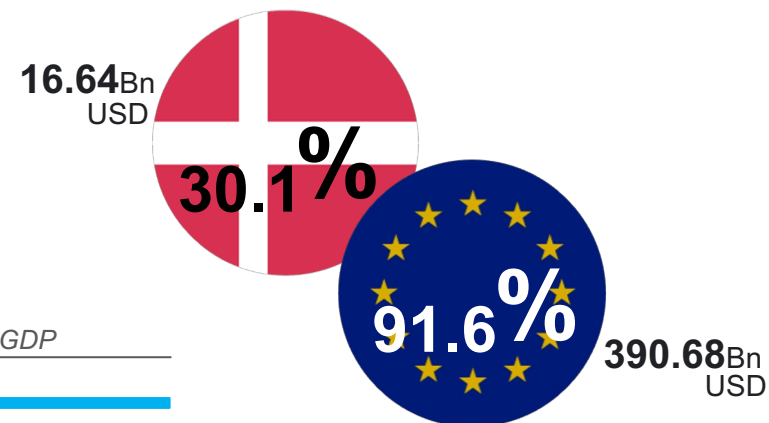
Favourable demographics and financials make Denmark an attractive target.

Rate comparison

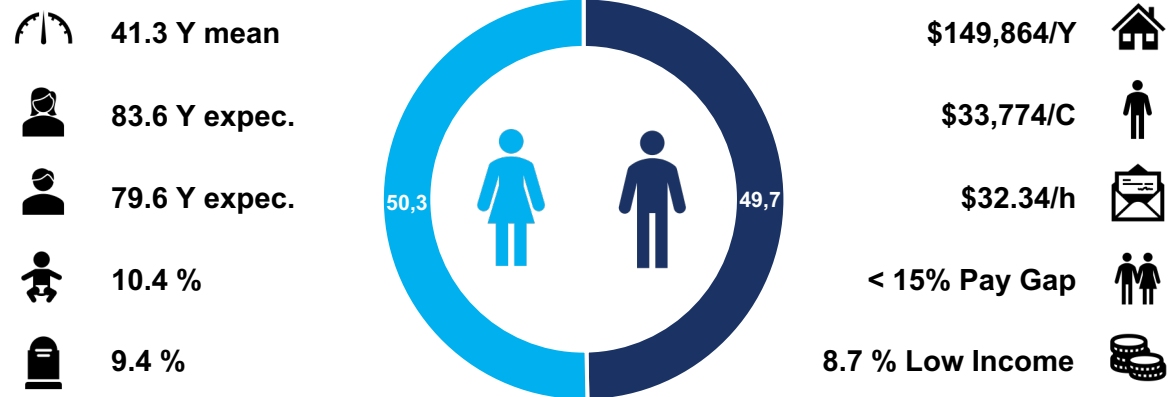
Index	Denmark	EU	Difference
Bank Lending Rate	2.75%	4.6%	-1.85%
Interbank Rate	3.4%	3.42%	-0.02%
Interest Rate	2.85%	3.75%	-0.9%



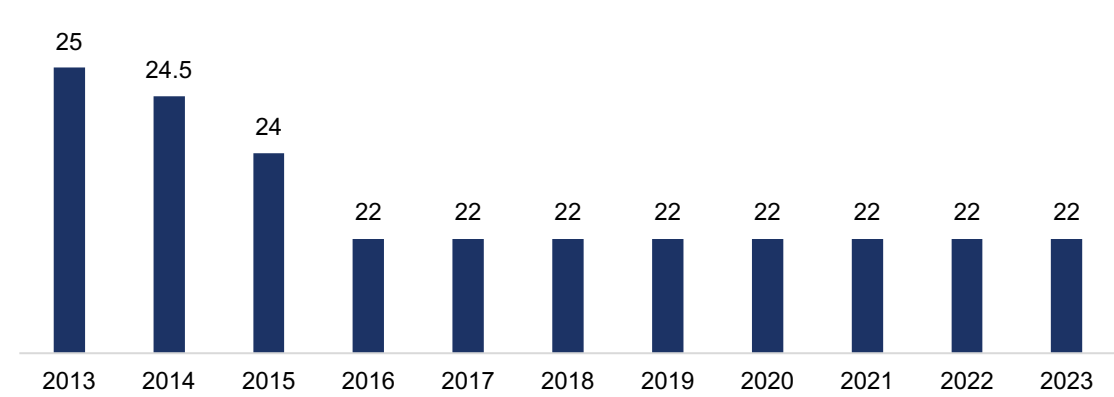
National debt % of GDP



Demographics



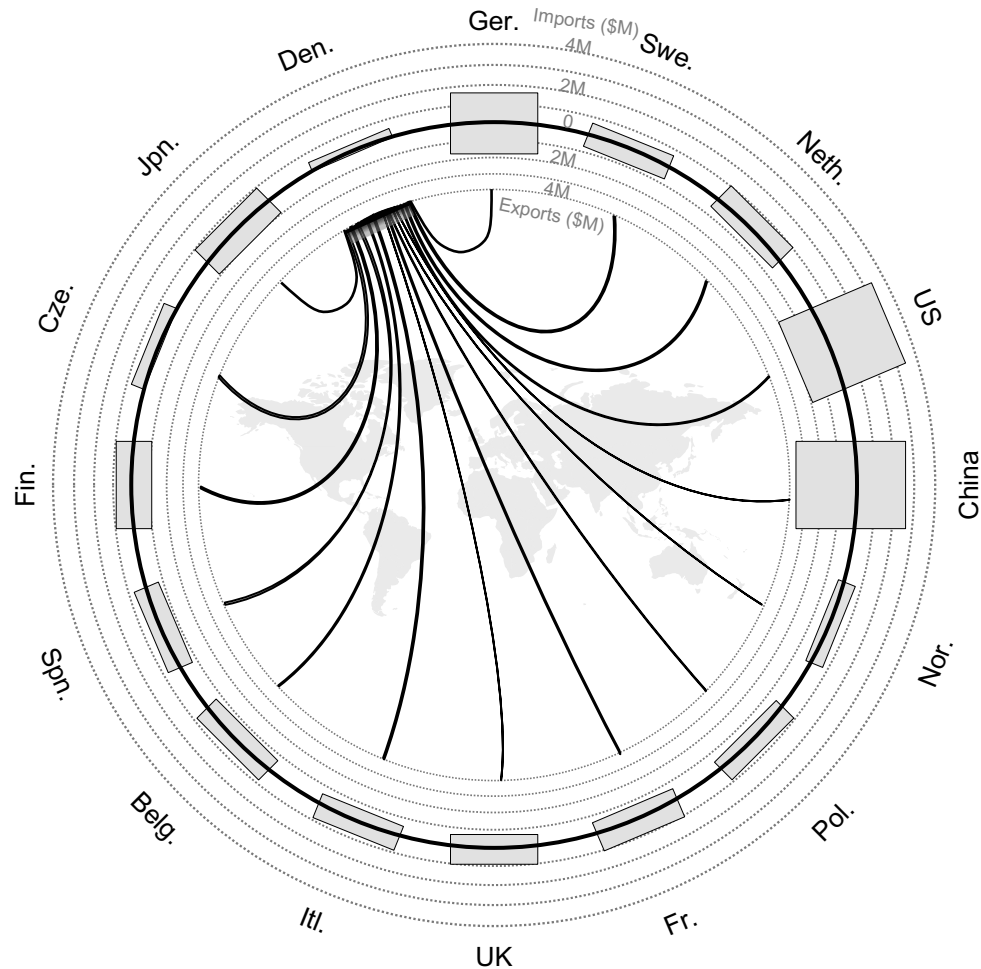
Corporate tax rate in %



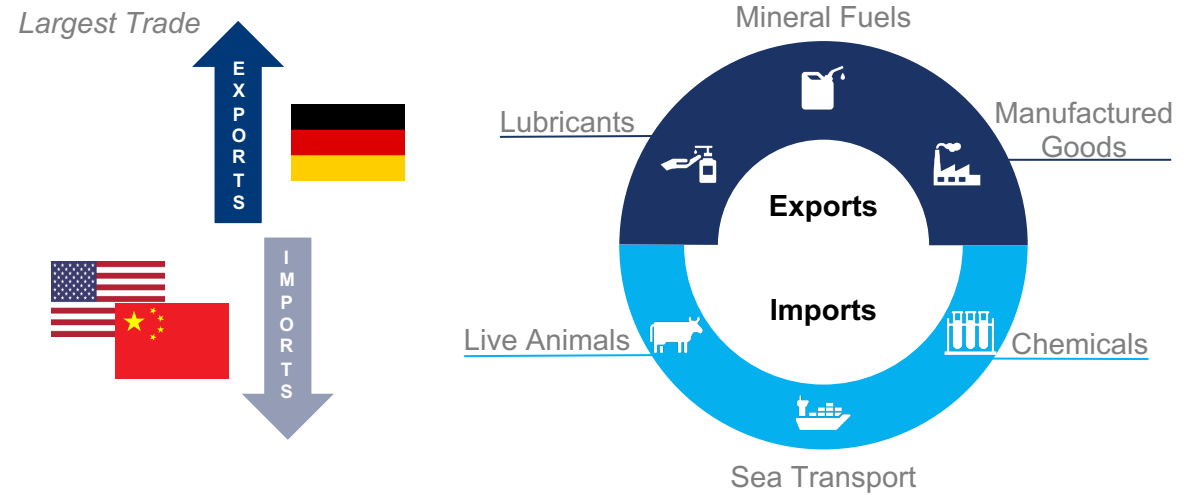
Trade and Trade Balance

Major trading partners make Denmark's exports exceed its imports.

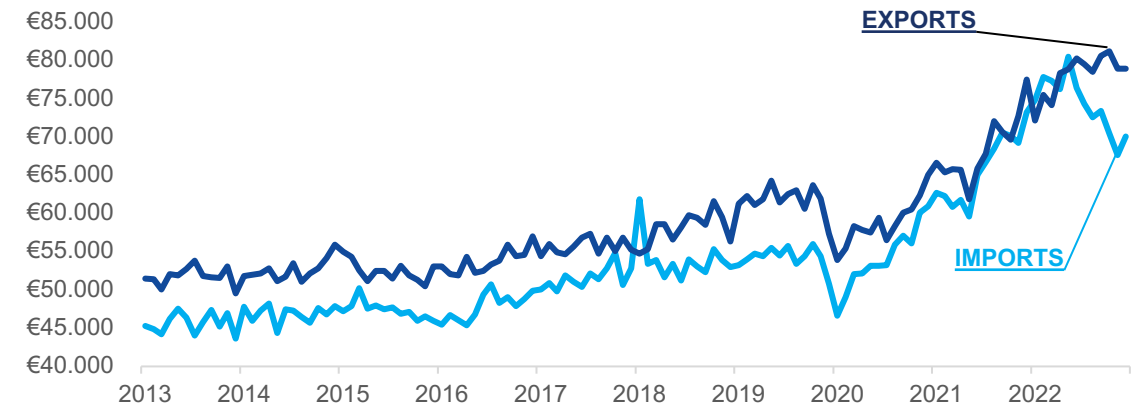
Trade flows: import and export



Overview



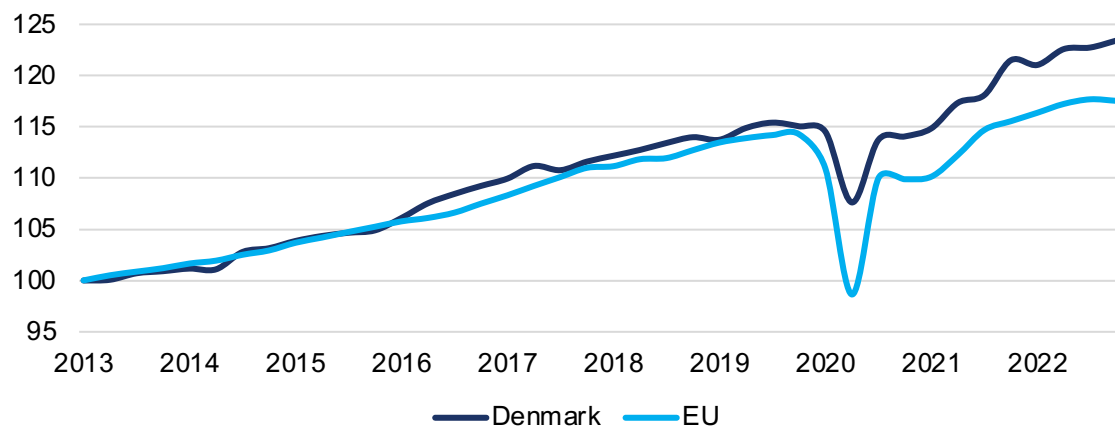
Trade balance



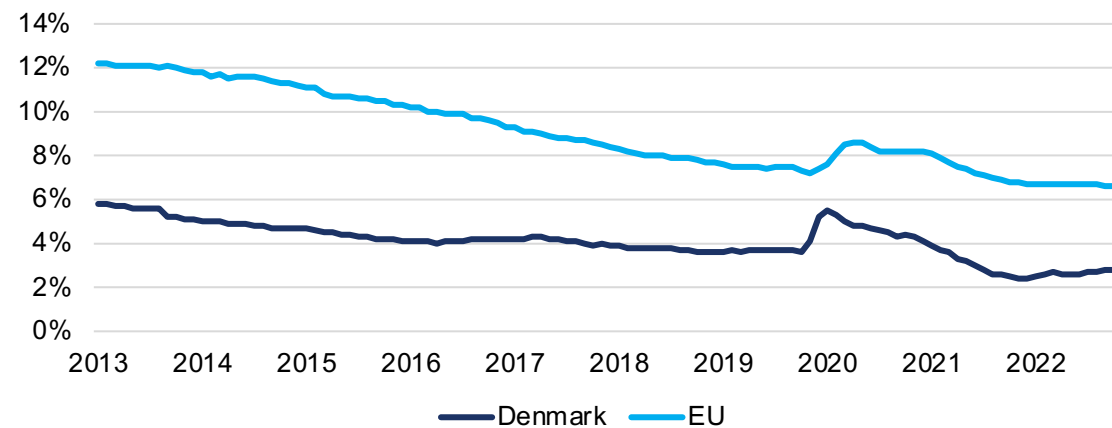
Economic Indicators

In all categories, Denmark is superior to the EU.

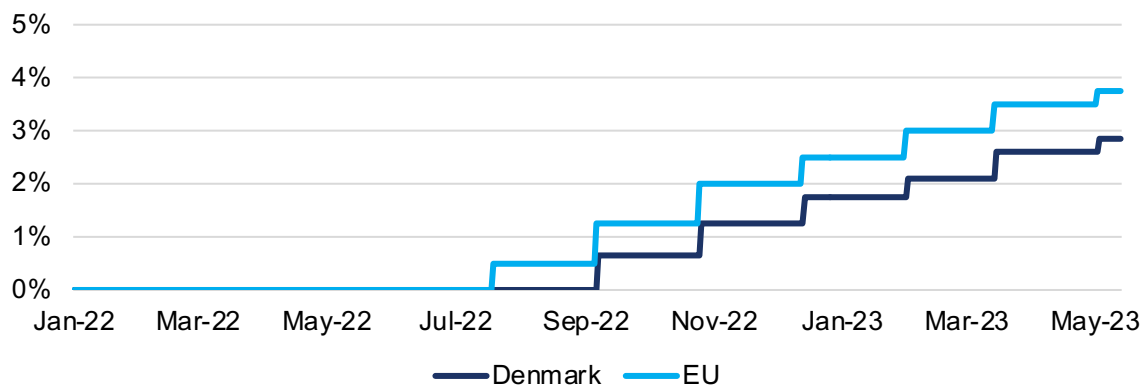
Real GDP



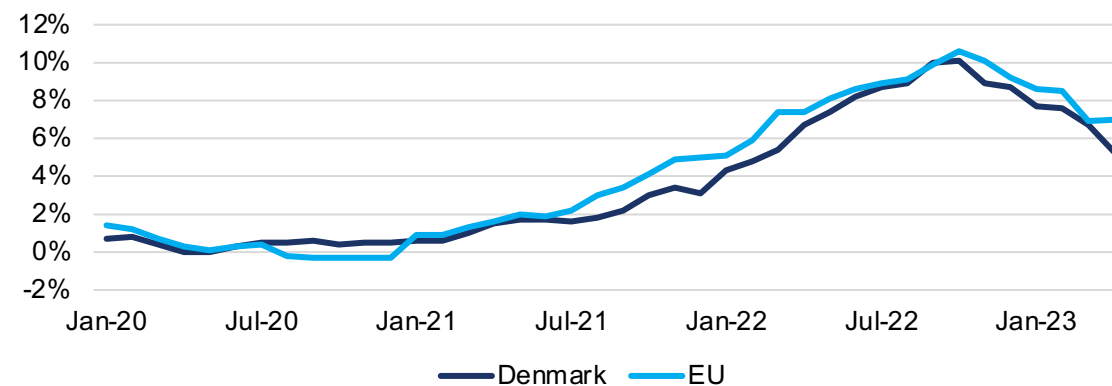
Unemployment rate



Interest rate

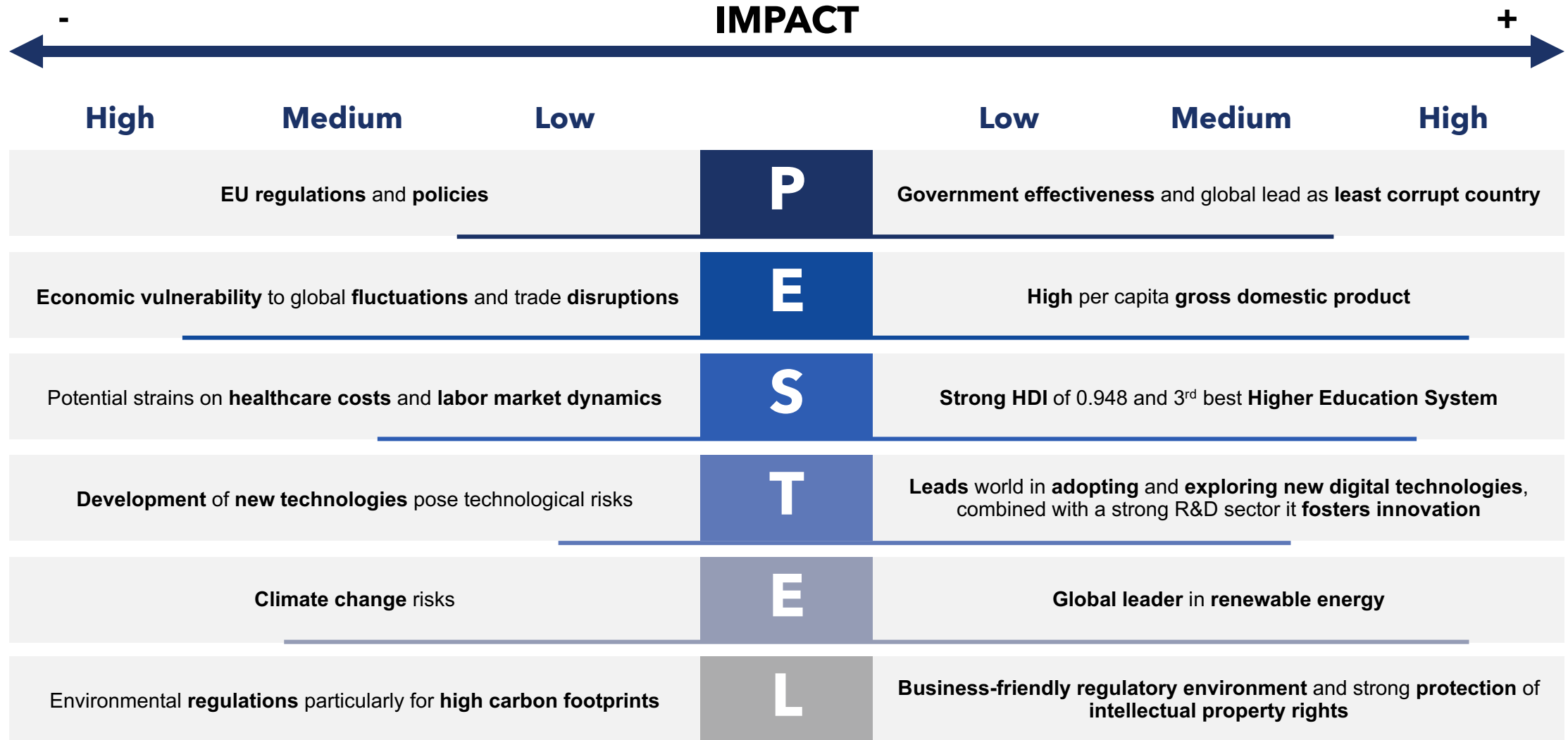


Inflation



PESTEL Analysis

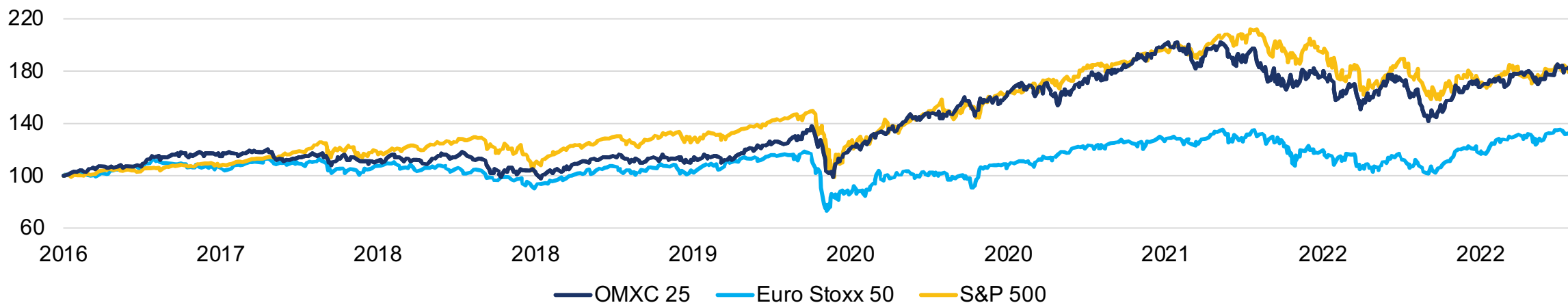
Which key factors are shaping Denmark's success?



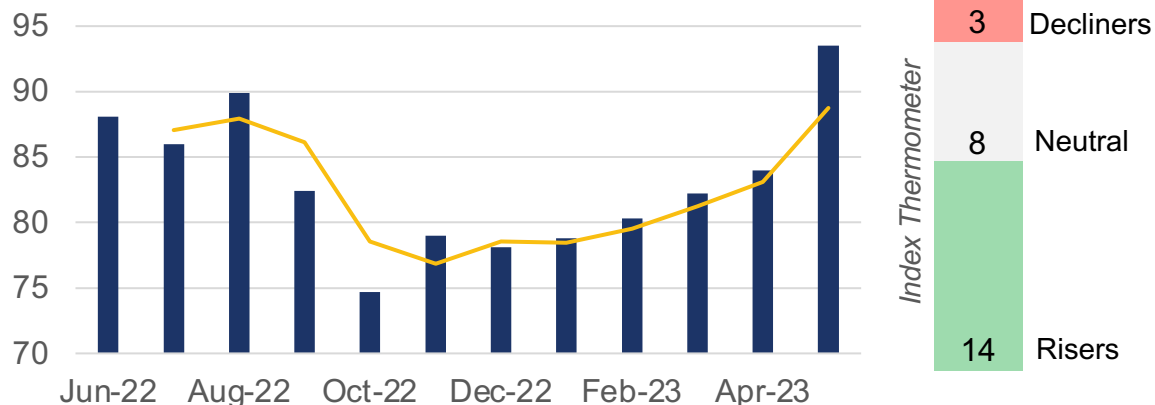
Stock Market Overview

Danish stocks are showing strong performance, while still remaining undervalued.

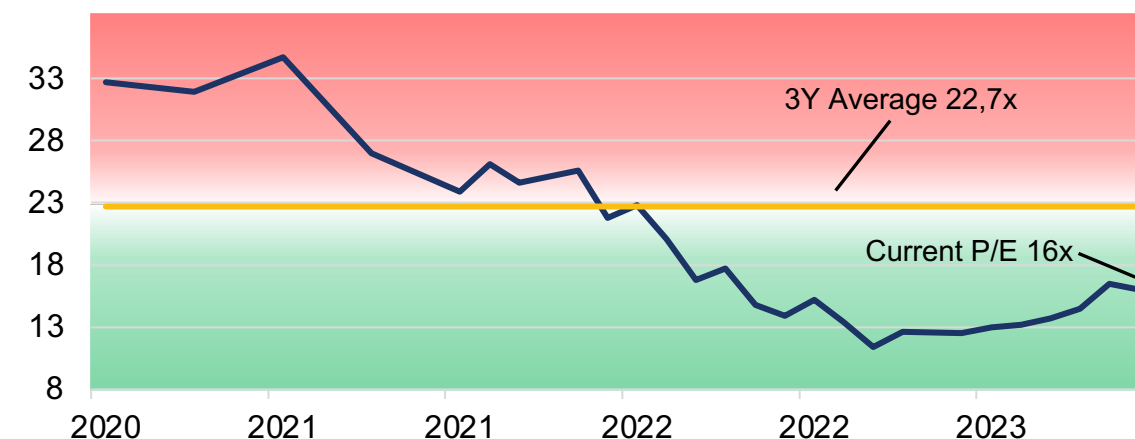
OMX Copenhagen 25 against other indices



Current economic sentiment

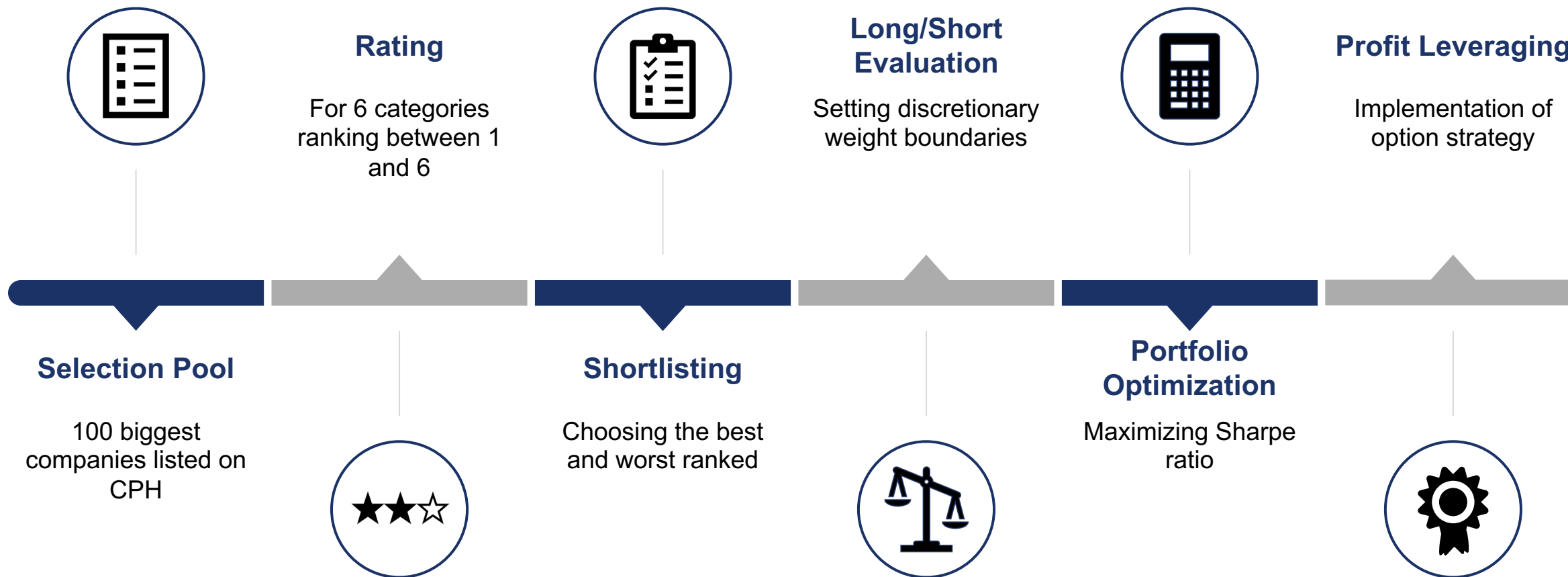


OMXC P/E ratio and metrics development



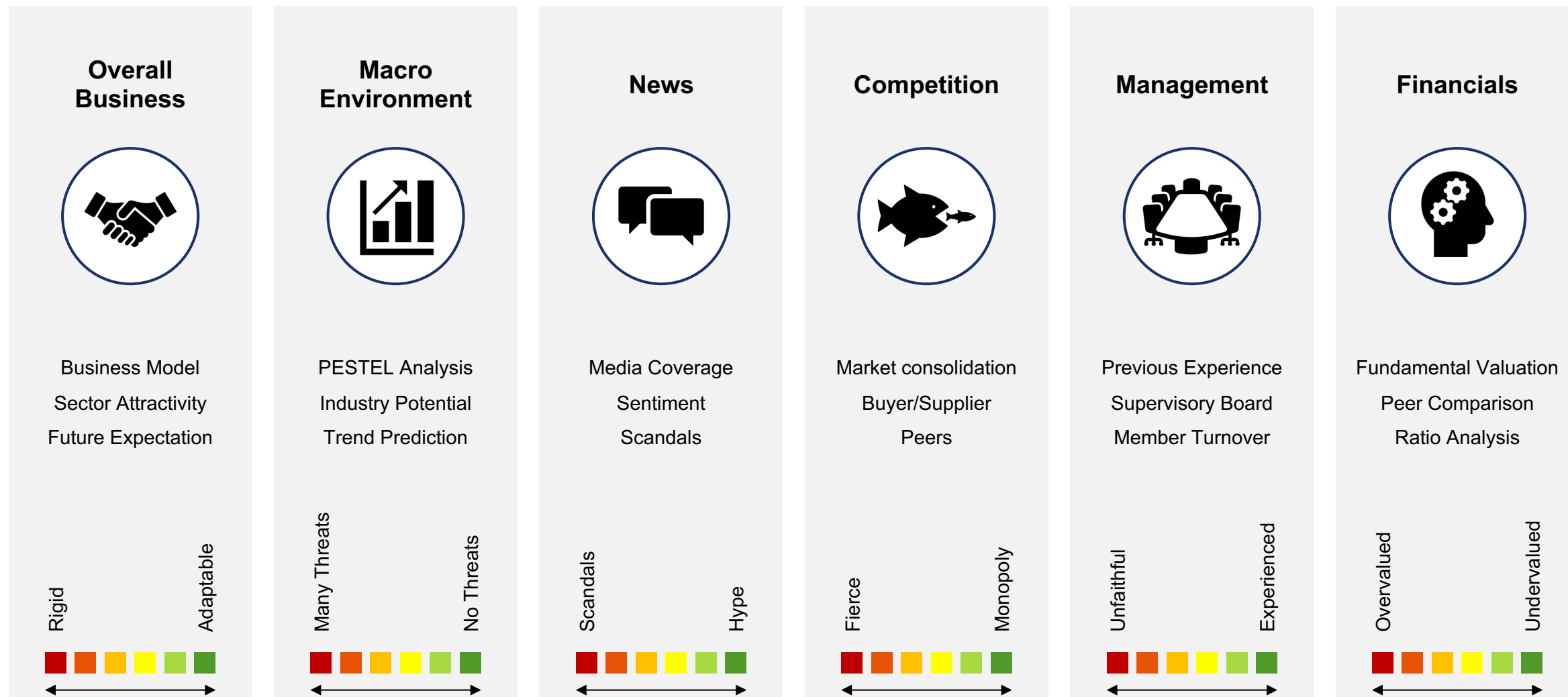
We derived a portfolio with 16 positions after qualitative evaluation.

Selection process



Rating

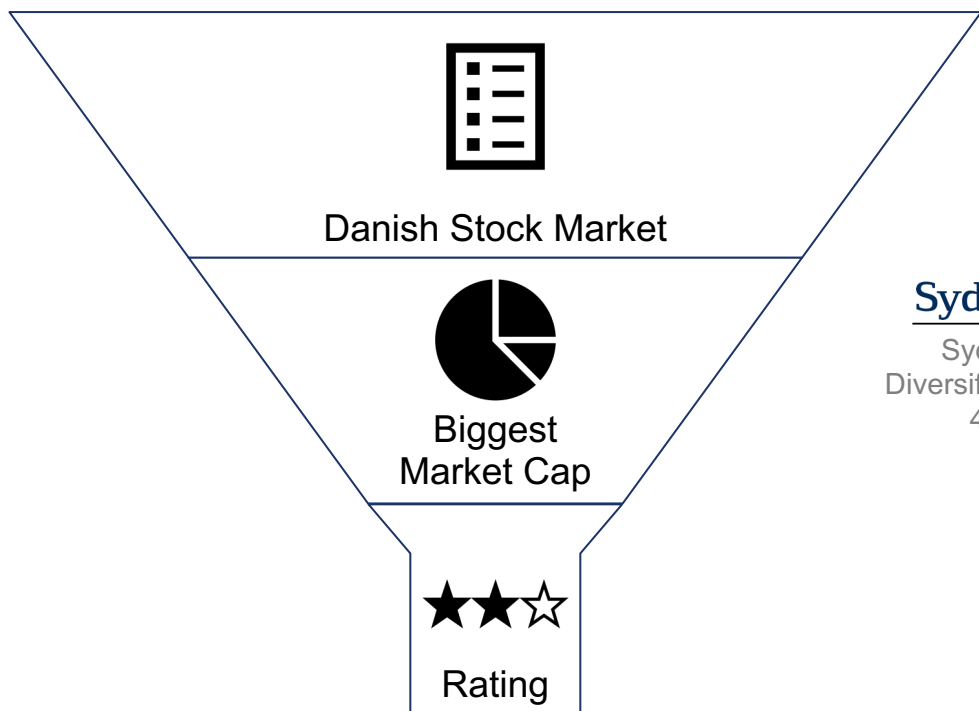
Companies rated between 1 and 6 to get a clear picture of their valuation.



Short List

After rating the equities, we found 13 long and 3 short opportunities.

Process



brand
Company Name
Industry
Overall Rating



Short List

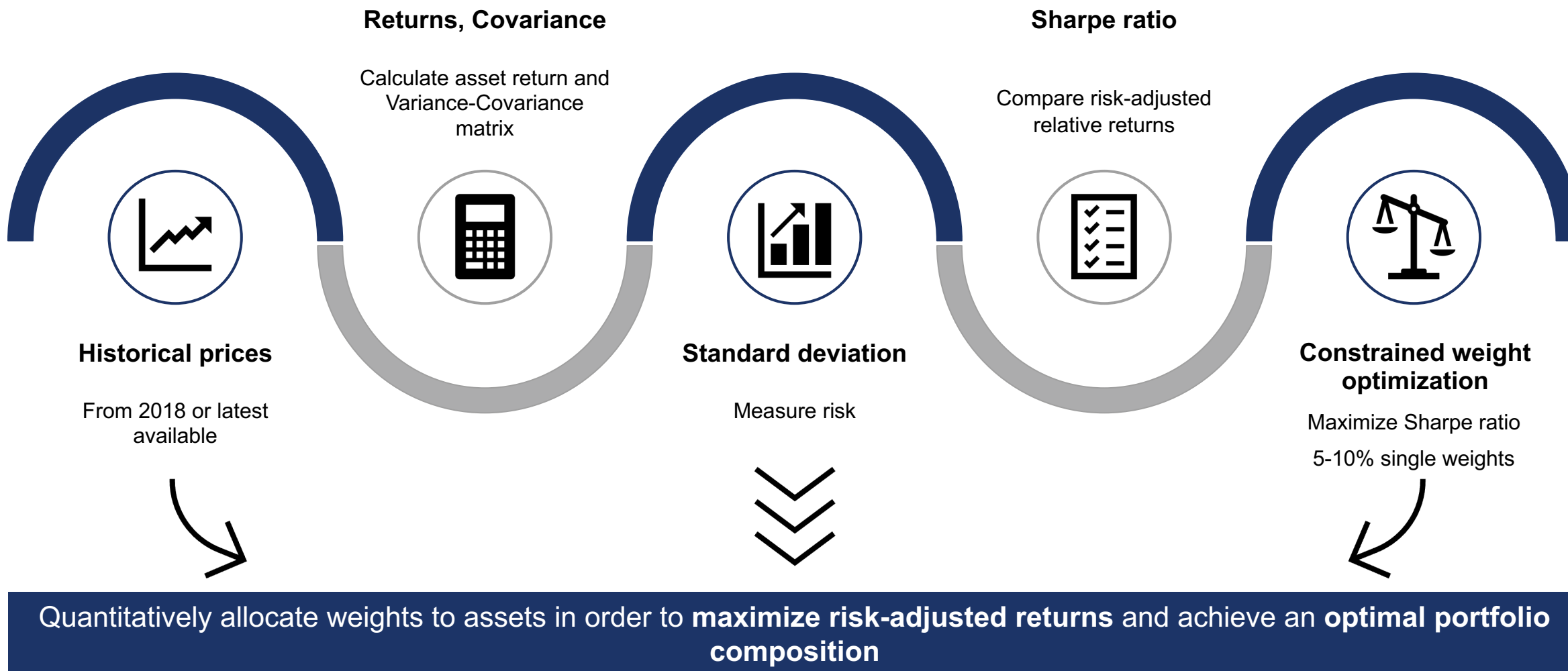
Long positions

 Ørsted Electric Utilities 5.33	 Novo Nordisk Pharmaceuticals 4.55	 SimCorp Application Software 4.33	 Jyske Bank Diversified Banks 4.16	
 Sydbank Diversified Banks 4.16	 Torm Oil and Gas 4.16	 FOM Technologies Application Software 4.16	 Scandinavian Tobacco Tobacco 4	 Genmab Biotechnology 4
 D/S Norden Marine Transportation 4	 Skjern Bank Regional Banks 4	 Schouw & Co. Packaged Foods 3.83	 NTG Nordic Transport Cargo Transportation 3.83	

Short positions

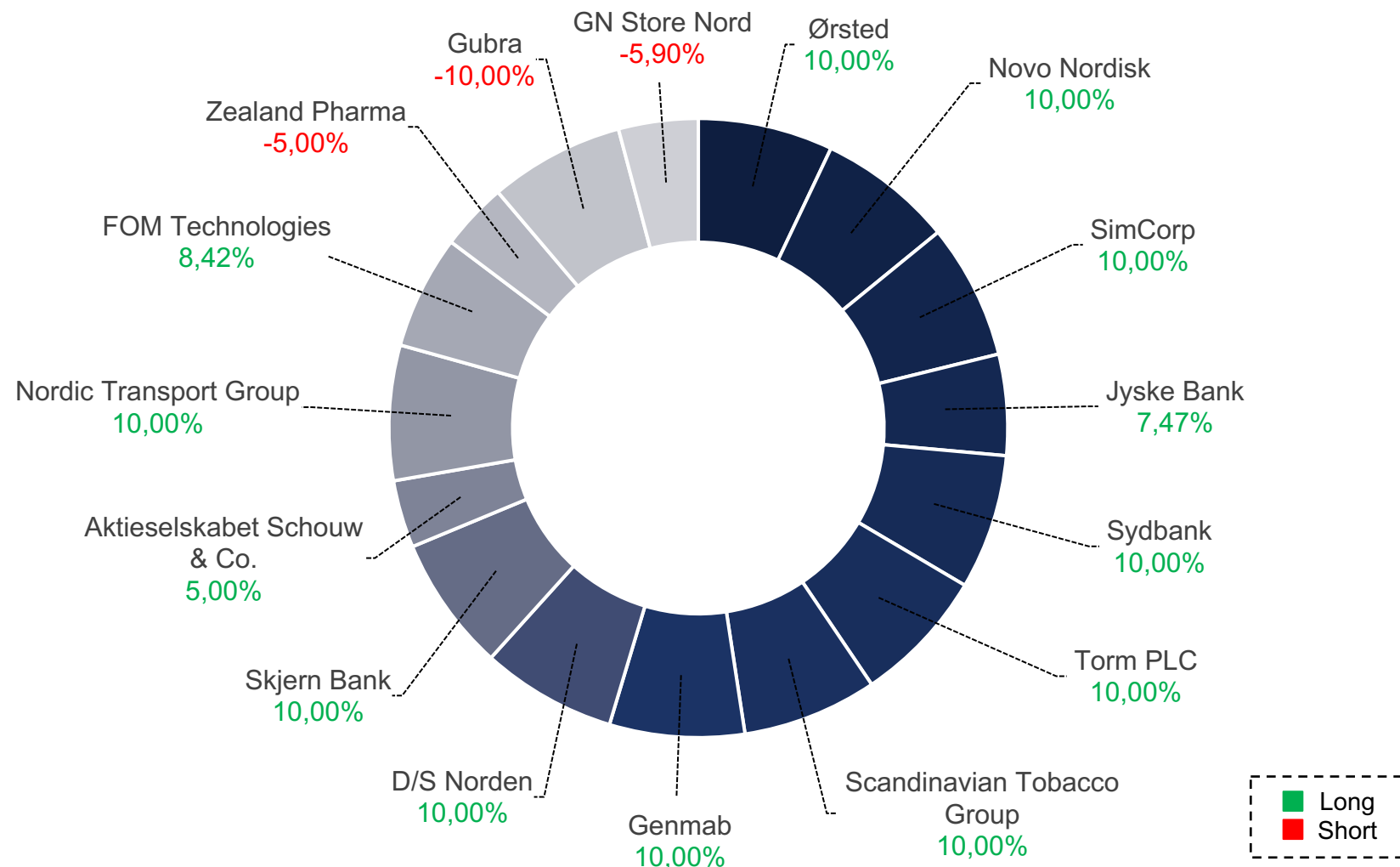
 Zealand Pharma Biotechnology 1.5	 Gubra Life Sciences 1.5	 GN Store Nord Consumer Electronics 1.16
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By maximizing Sharpe ratio, we find the highest risk-reward profile.



Portfolio Allocation

Through SAA and TAA, we achieve high returns with acceptable volatility.



Figures (Portfolio)

Expected Return	41.39%
Variance	4.32%
Standard Deviation	20.79%
Sharpe Ratio	1.87

- Enhanced risk-adjusted returns with comparable risk profile
- Optimized sector allocation for enhanced diversification

Figures (Benchmark)

	OMXC 25	EURO STOXX 50
Expected Return	10.13%	7.51%
Variance	3.33%	5.42%
Standard Deviation	18.24%	23.29%
Sharpe Ratio	0.42	0.22

We use derivatives to leverage our positions and increase profits.

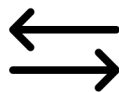
Why we implement options



Higher Leverage



Profiting from Premium



Sideway Movements still create Profits

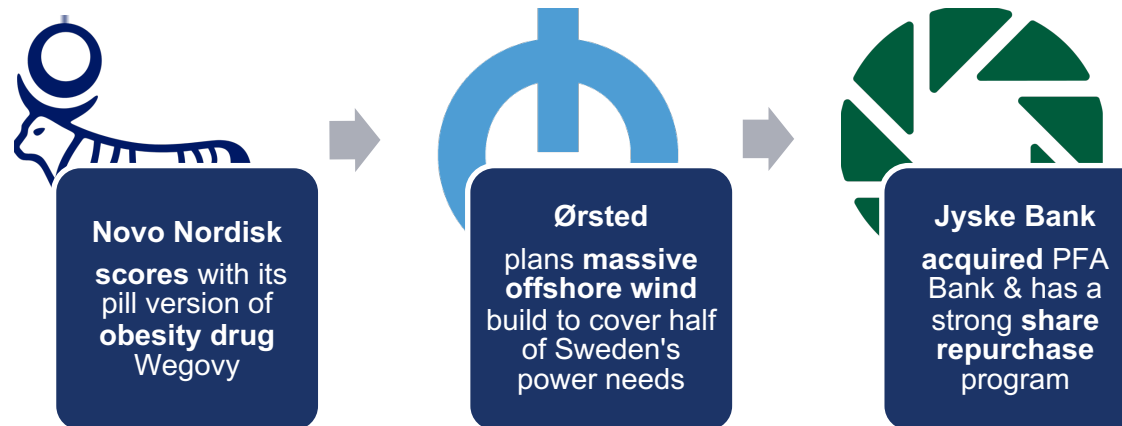
To achieve an **enhanced portfolio**, we **exploit possibilities** by pairing our long/short strategy by **selling puts** for 3 long positions and **calls** for 1 short position. This should **excel** our expected **income** – if our general idea goes for us.

S&P Global ratings

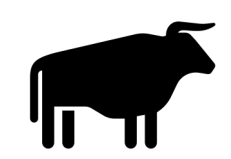
Company	Credit Rating
Novo Nordisk	AA-
Ørsted	BBB+
Jyske Bank	A

Analysts rate all companies as overweights

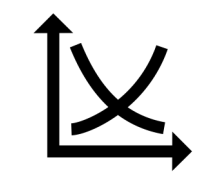
Reasoning behind chosen equities



Collecting option premium to top off the trade



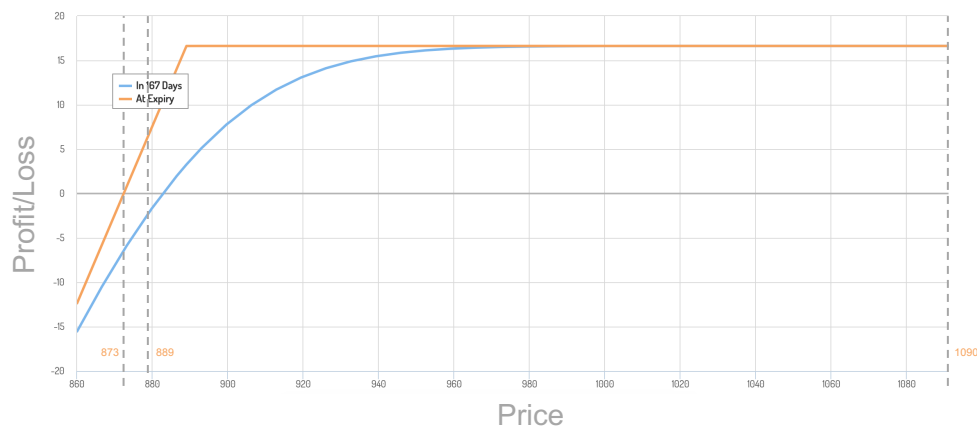
Short Puts



Implementation Short Puts

We are able to collect high premia, especially for Novo Nordisk.

Novo Nordisk



Setup – Short Put



Revenue Growth: 25.68%

Profit Margin: 31.38 %

RoE: 72 %

📅 Expiration date: **8th of December 2023**
(167 days)

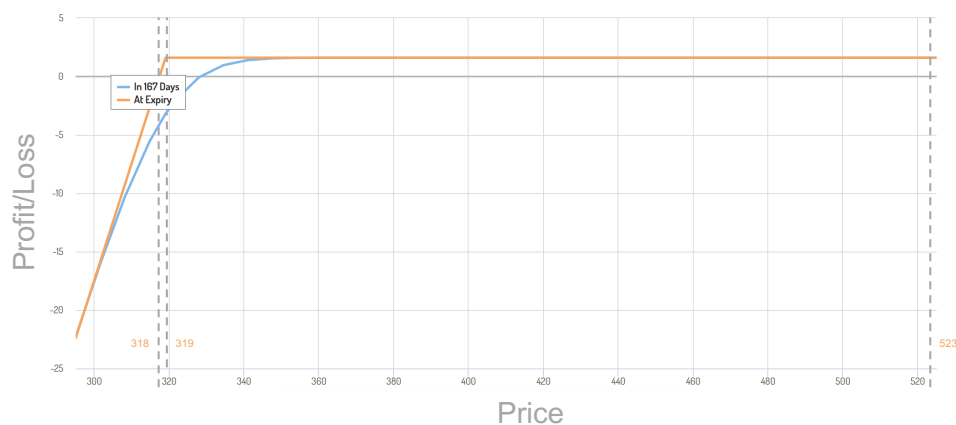
📍 Spot: **1093.2 Kr.**

💎 Premium: **16,630 Kr.**

⚡ Strike: **889 Kr.**

📊 Delta: **13.10%**

Jyske Bank



Setup – Short Put



Revenue Growth: 20.56%

Profit Margin: 22.89 %

EPS: 62.6 Kr.

📅 Expiration date: **8th of December 2023**
(167 days)

📍 Spot: **542.8 Kr.**

💎 Premium: **1,611 Kr.**

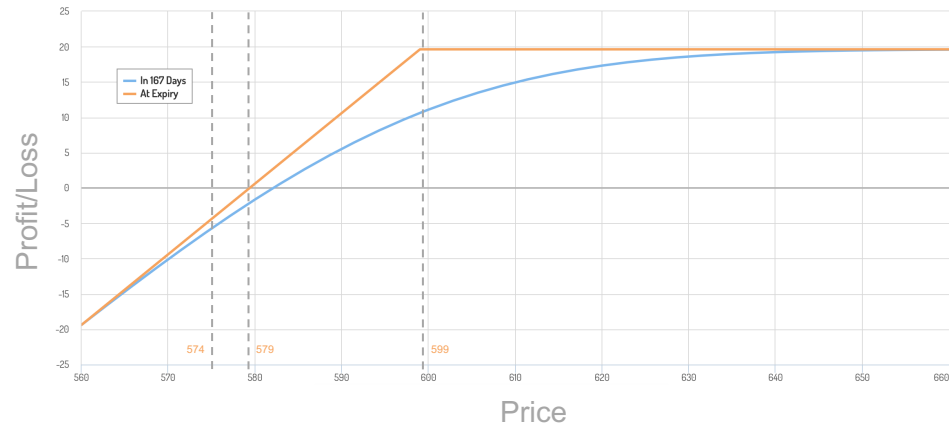
⚡ Strike: **319 Kr.**

📊 Delta: **2.58%**

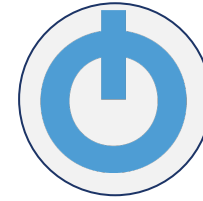
Implementation Short Puts & Short Calls

By shorting GN Store, we profit from their overvaluation.

Ørsted



Setup – Short Put



Revenue Growth: 82.37 %

Quick ratio: 1.32

RoE: 21.24 %

📅 Expiration date: **8th of December 2023**
(167 days)

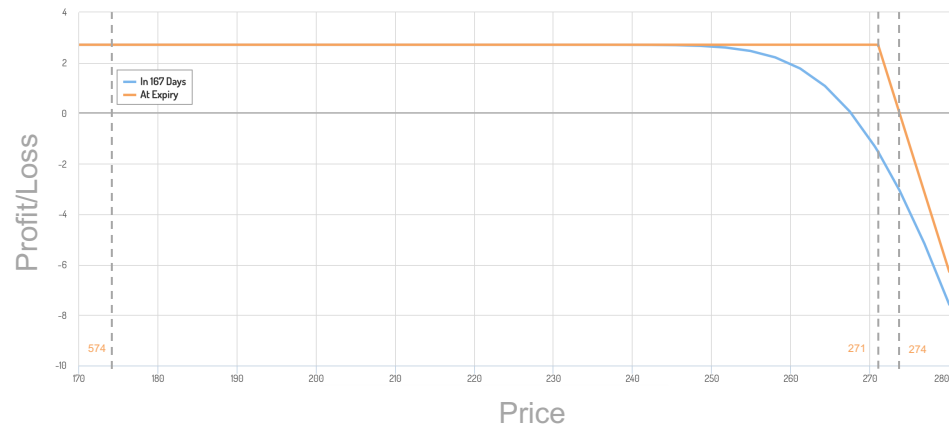
📍 Spot: **647.8 Kr.**

💎 Premium: **19,625 Kr.**

⚡ Strike: **599 Kr.**

📊 Delta: **24.86%**

GN Store Nord



Setup – Short Call



Debt to equity: 239.01

Profit Margin: 2.73%

Quick ratio: 0.5

📅 Expiration date: **8th of December 2023**
(167 days)

📍 Spot: **162.9 Kr.**

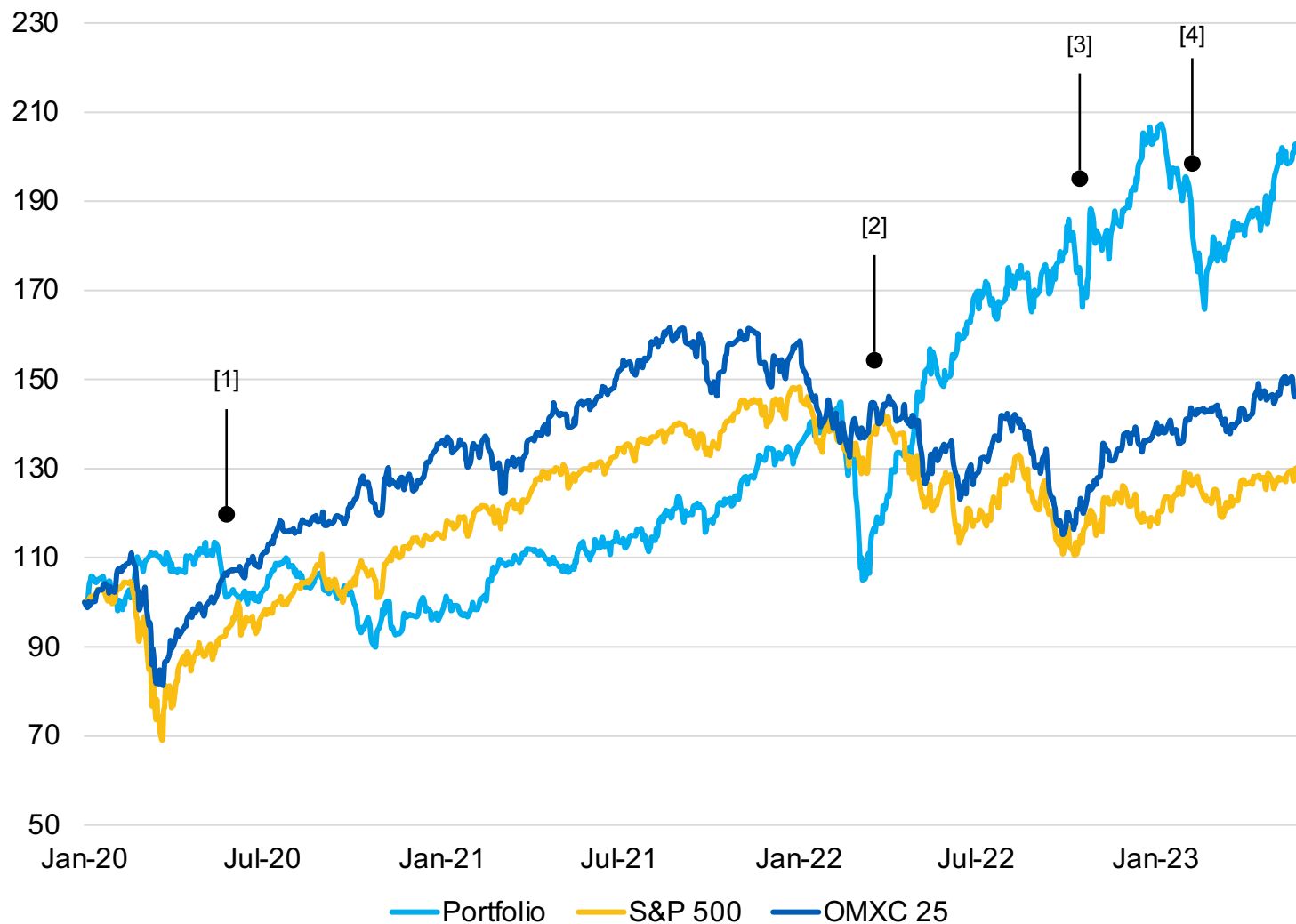
💎 Premium: **2,717 Kr.**

⚡ Strike: **271 Kr.**

📊 Delta: **-11.60%**

Portfolio Performance

Showcasing 3 years of returns for our Danish portfolio.



Key Statistics

- [1] May 2020: Lagged effects of Covid-19 outbreak
- [2] Feb. 24th 2022: Start of Ukraine-Russia war
- [3] Oct. 12th 2022: Worst US CPI in years
- [4] Jan. 2023: Bad news for multiple companies

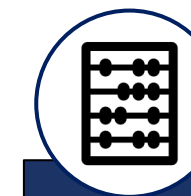
Limitations of the model



Assumption of stationarity



Limited scope of factors



Lack of future predictability

Denmark is an attractive market with many exciting equity opportunities.

Key investment highlights



1 The Danish economy features many well positioned companies in **high-growth markets**. There is a **focus on ESG**, and current **trends are supportive**.

2 Danish social policy has resulted in one of the **happiest and healthiest** nations. Corporate **taxes are welcoming** and **national debt is low**.

3 Despite its **solid performance** over the last year, the OMXC 25 is currently **attractively valued**. For investors, this could be a **good time to enter**.

4 Denmark's biggest corporations are **global players** with world-wide influence. But local firms are also **highly profitable and adaptable**.

5 Through our portfolio **optimization** and derivative strategy, we are able to create a **diversified portfolio** with a **fortunate risk-return** balance.

6 Despite the **great outlook**, there are companies that look overvalued. By shorting these positions, we can **hedge** parts of our **risk**.

Appendix

Sources

Source Name	Link	Date of Retrieval	Used for
Statistics Denmark	https://www.dst.dk/en	17.05.2023	Macro Statistics
ECB	https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Wages_and_labour_costs#Gross_wages.2Fearnings	21.05.2023	Wage Information
Trading Economics	https://tradingeconomics.com/denmark/corporate-tax-rate	21.05.2023	Corporate Tax Law
OECD	https://www.oecd.org/tax/tax-policy/revenue-statistics-denmark.pdf	21.05.2023	Danish Debt
Sustainable Development Goals	https://sustainabledevelopment.un.org/memberstates/denmark#:~:text=The%20Danish%20government%20has%2C%20in,%2C%20peace%20and%20part%2Dnerships.	21.05.2023	Sustainable Goals
WHO	https://www.who.int/europe/de/news/item/03-02-2023-harnessing-population-health-data-to-improve-cancer-survival-in-denmark	22.05.2023	Population Health
European Commission	https://eures.ec.europa.eu/living-and-working/living-and-working-conditions/living-and-working-conditions-denmark_de	22.05.2023	Working Environment
Statista	https://de.statista.com/statistik/daten/studie/1323704/umfrage/durchschnittsalter-der-bevoelkerung-in-daenemark/#:~:text=Das%20Durchschnittsalter%20(Medianalter)%20in%20Dänemark,2022%20rund%2041%2C3%20Jahre.	23.05.2023	Demographics

Sources

Source Name	Link	Date of Retrieval	Used for
NASDAQ	https://www.nasdaqomxnordic.com/indexes/index_info?Instrument=DK0060775369	17.06.2023	Historical Prices
CNBC	https://www.cnbc.com/quotes/US10Y	18.06.2023	Risk Free Rate
Google Finance	https://www.google.com/finance/quote/OMXC25:INDEXNASDAQ?hl=en&window=1M	18.06.2023	Index Returns
tradingeconomics	https://tradingeconomics.com/denmark/economic-sentiment-indicator-eurostat-data.html	17.06.2023	Economic Sentiment
WSJ	https://www.wsj.com/market-data/quotes/NVO , https://www.wsj.com/market-data/quotes/dk/xcse/JYSK , https://www.wsj.com/market-data/quotes/dk/xcse/ORSTED , https://www.wsj.com/market-data/quotes/dk/GN	17.06.2023	Stock Ratios
Yahoo Finance	https://finance.yahoo.com	09.06.2023	Historical Stock Prices
Optionscreator	https://optioncreator.com	18.06.2023	Option Graphs
Capital IQ	https://www.capitaliq.com/CIQDotNet/MacroEconomics/KeyEconomicIndicators.aspx?economicSubtypeId=10160&economicCharTypeId=6	21.06.2023	Rating Equities
Bloomberg Finance L.P.	-	21.06.2023	Continuous work

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